

An Economic Downturn May Be the Time To Charge Ahead

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The current recession in the construction industry and other sectors is worse than most, but not as bad as the Great Depression. Everyone who has been around for a while knew how this downturn would happen, based on the many booms and busts that have come before. At the heart of it is a herd mentality among investors and industry firms that causes irrational behavior. This leads to a bubble market that eventually bursts due to unrealistic expectations.



Midway through the crisis, the industry now is caught up in another predictable trap as huge numbers of competitors try to snag projects that they would never have looked at in the past. Bid prices are plummeting, margins are evaporating, and the future looks grim for some firms.

Some economic observers suggest it may be wise to examine how people and companies survived the Great Depression. The techniques are obvious: avoid debt, question every expense, use less energy, buy in bulk, develop multiple income streams, buy used stuff and be prepared to move. The main underlying strategy is adaptability.

Some of the greatest industry firms made it through the 1930s by taking calculated risks—such as agreeing to build the biggest dam in the world under harsh conditions, adopting new technology and equipment, and following the money to new markets.

Today's companies should take the same approach: Use the opportunity posed by a less frenetic pace of work to put the firm's best minds to work on developing business strategies to pull the company out of the herd and move it into greener pastures where opportunities and margins are greater. Any new markets selected must be within the core competency of the company, or there may be equally dire consequences for the project owner or industry firm. Now is not the time to cut out marketing, since it helps potential new clients learn about a firm's capabilities and experience in relation to a project.

Protecting profit margins is essential but so is verifying that your company will be paid if it gets a job. As demonstrated by the bankruptcies of Chrysler and General Motors, even longtime clients can be dragged under by the crisis. That same verification process also should be used by all firms when selected for design and construction teams before they sign a contract.

Some in the industry say hunkering down is the best way to survive a recession, but really successful firms get to be that way by charging past sleeping competitors.

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